

**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020



12700 SW 72nd Ave.
Tigard, OR 97223

**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

MODIFIED CASH BASIS FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

BOARD OF DIRECTORS

TERM EXPIRES

Rod Watson – Board President	July 31, 2021
Bob Davis – Board Member/Secretary	July 31, 2022
Bruce Sigloh – Board Member	July 31, 2021
Keith Moore – Board Member	July 31, 2022
Frank Pender, Jr. – Board Member	July 31, 2022

All Directors receive mail at the administration address below:

ADMINISTRATION

Fred Hertel, District Fire Chief

Southwestern Polk County
Rural Fire Protection District
915 SE Shelton Street
Dallas, Oregon 97338
(503) 831-3533
fred.hertel@dallasor.gov

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**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

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May 4, 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southwestern Polk County
Rural Fire Protection District
Polk County, Oregon

Report on the Financial Statements

We have audited the accompanying modified cash basis basic financial statements of the governmental activities, and each major fund, of Southwestern Polk County Rural Fire Protection District (the District), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the modified cash basis basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the basic financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of modified cash basis basic financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express opinions on these modified cash basis basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the modified cash basis basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the modified cash basis basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the modified cash basis basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the modified cash basis basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the modified cash basis basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the modified cash basis basic financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and each major fund of Southwestern Polk County Rural Fire Protection District, as of June 30, 2020, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the modified cash basis basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the modified cash basis basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the modified cash basis basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the modified cash basis basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the modified cash basis basic financial statements as a whole.

The management's discussion and analysis has not been subjected to the auditing procedures applied to the audit of the modified cash basis basic financial statements and we do not express an opinion or provide any assurance on it.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the modified cash basis basic financial statements. The listing of board members, containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied on the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated May 4, 2021, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.


ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

SOUTHWESTERN POLK COUNTY FIRE DISTRICT, OREGON

Management's Discussion and Analysis (MD&A)

This section of the Southwestern Polk County Fire District (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- Total Net Position was (\$33,978) at June 30, 2020.
- The general fund reported a fund balance this year of \$291,287.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the overall financial status.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements are designed to provide readers with a broad review of the District's finances in a manner similar to a private-sector business. The current year's receipts and disbursements are accounted for in the Statement of Activities when cash is received or paid. The two government-wide statements report the Net Position and how it has changed. Net Position - the difference between the assets and liabilities - is one way to measure the financial health or position.

- Over time, increases or decreases to the Net Position are an indicator of whether the financial health is improving or deteriorating.
- To assess the overall health, one needs to consider additional non-financial factors such as changes in tax base.

The government-wide financial statements include the Governmental activities. Basic services are included here. Property taxes and earnings on investments finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the most significant funds - not the Fire District as a whole. Funds are accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

The following funds exist in the financial statements:

- Governmental funds - The basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

SUMMARY OF NET POSITION (MODIFIED CASH BASIS)

	2020	2019
ASSETS		
Cash and Investments	\$ 4,706,050	\$ 6,158,571
Capital Assets, net of depreciation	459,599	259,208
Total Assets	\$ 5,165,649	\$ 6,417,779
LIABILITIES		
Notes Payable	\$ 5,199,627	\$ 5,418,444
Total Liabilities	5,199,627	5,418,444
NET POSITION		
Net Investment in Capital Assets	\$ -	\$ 259,208
Unrestricted	(33,978)	740,127
Total Modified Cash Basis Net Position	\$ (33,978)	\$ 999,335

CHANGES IN NET POSITION

CHANGES IN NET POSITION (MODIFIED CASH BASIS)

	2020	2019
Net Program Disbursements		
Fire Protection	\$ (2,083,013)	(1,040,292)
General Receipts		
Taxes	887,460	910,406
Earnings on Investments	103,646	160,575
Miscellaneous	58,594	91,187
Total Receipts	1,049,700	1,162,168
Change in Net Position - Modified Cash Basis	(1,033,313)	121,876
Beginning Net Position – Modified Cash Basis	999,335	877,459
Ending Net Position – Modified Cash Basis	\$ (33,978)	999,335

The modified cash basis net position of the District decreased primarily due to expanded services in 2019-20. The net position is negative because this is the first year with major disbursements on bond funded capital projects.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Receipts from governmental fund types totaled \$1,049,700 in 2020. Governmental fund balances totaled \$4,706,050 at June 30, 2020. A summary of changes in governmental fund balances follows:

CHANGES IN GOVERNMENTAL FUND BALANCES

	June 30, 2020	July 1, 2019	Change
General Fund	\$ 291,287	476,559	\$ (185,272)
Station 130 Fund	35,945	35,255	690
Capital Projects Fund	3,996,640	5,249,313	(1,252,673)
Bonded Debt Fund	382,178	397,444	(15,266)
Total	\$ 4,706,050	\$ 6,158,571	\$ (1,452,521)

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget performance was as authorized, as outlined in the Governmental Fund Schedule of Receipts, Disbursements and Changes in Fund Balances –Budget and Actual (Cash Basis). There was a decreased General Fund ending fund balance in 2019-20. In the General Fund, actual receipts and actual disbursements were lower than budgeted.

Within fiscal year 2019-20 for SW Polk Fire District, the most significant change was the transition to an intergovernmental agreement (IGA) with Sheridan and West Valley Fire Districts. The IGA created a joint administrative team that functioned as the management and leadership of all three Districts. SW Polk also contracted with Sheridan Fire District for their first ever career staff, four personnel. Other significant changes will be outlined below.

General Fund

General Fund Receipts – Receipts decreased from \$625,222 in the prior year to \$563,258 in 2019-20.

General Fund Disbursements – This year we expanded our disbursements, under the IGA, including administrative, training, finance and fire & life safety compliance services.

Capital Outlay – We budgeted \$52,400 for purchase of a staff vehicle within general fund capital outlay.

Transfer to Special Funds – \$27,740 was budgeted to be transferred to the Station 130 Fund.

Unappropriated Ending Fund Balance – Money that is set aside to assist the District in meeting expenses during the July to November timeframe when minimal to no tax revenues are received.

Economic Factors – The District receives most of its receipts from property taxes. The assessed value of property within the District is expected to continue modest growth.

Overall Financial Position – As of June 30, 2020 the General Fund had a cash basis fund balance of \$291,287, and Total Governmental Funds had a modified cash basis fund balance of \$4,706,050.

CAPITAL ASSETS

At June 30, 2020, the District had \$459,599 in capital assets, net of depreciation, and there was \$0 Net Investment in Capital Assets, net of depreciation and capital asset related debt. More detailed information about the capital assets is presented in Note 3 within the notes to the basic financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information, please contact the Southwestern Polk County Rural Fire Protection District. Our address is: 230 SW Mill Street Sheridan, OR 97378.

**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

BASIC FINANCIAL STATEMENTS

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SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
At June 30, 2020

ASSETS

Cash and Investments	\$ 4,706,050
Capital Assets, net of depreciation	<u>459,599</u>
Total Assets	<u>5,165,649</u>

LIABILITIES

Long-Term Obligations, due within one year	243,817
Long-Term Obligations, due in more than one year	<u>4,955,810</u>
Total Liabilities	<u>5,199,627</u>

NET POSITION

Unrestricted	<u>(33,978)</u>
Total Modified Cash Basis Net Position	<u><u>\$ (33,978)</u></u>

See accompanying notes to the basic financial statements.

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
For the Year Ended June 30, 2020**

<u>FUNCTIONS</u>	<u>DISBURSEMENTS</u>	<u>PROGRAM RECEIPTS CHARGES FOR SERVICES</u>	<u>NET RECEIPTS (DISBURSEMENTS)</u>
Governmental Activities:			
Fire Protection	\$ 2,083,013	\$ -	\$ (2,083,013)
Total	<u>\$ 2,083,013</u>	<u>\$ -</u>	<u>(2,083,013)</u>
General Receipts:			
Taxes			887,460
Earnings on Investments			103,646
Miscellaneous			<u>58,594</u>
Total General Receipts			<u>1,049,700</u>
Change in Net Position - Modified Cash Basis			(1,033,313)
Beginning Net Position – Modified Cash Basis			<u>999,335</u>
Ending Net Position – Modified Cash Basis			<u>\$ (33,978)</u>

See accompanying notes to the basic financial statements.

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**BALANCE SHEET (MODIFIED CASH BASIS)
At June 30, 2020**

	GENERAL FUND	STATION 130 FUND	CAPITAL PROJECTS FUND	BONDED DEBT FUND	TOTAL
ASSETS					
Cash and Investments	\$ 291,287	\$ 35,945	\$ 3,996,640	\$ 382,178	\$ 4,706,050
Total Assets	<u>\$ 291,287</u>	<u>\$ 35,945</u>	<u>\$ 3,996,640</u>	<u>\$ 382,178</u>	<u>\$ 4,706,050</u>
FUND BALANCE					
Fund Balance					
Assigned	\$ -	\$ 35,945	\$ -	\$ -	\$ 35,945
Unassigned	291,287	-	3,996,640	382,178	4,670,105
Total Fund Balance - Modified Cash Basis	<u>\$ 291,287</u>	<u>\$ 35,945</u>	<u>\$ 3,996,640</u>	<u>\$ 382,178</u>	<u>\$ 4,706,050</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET - MODIFIED CASH BASIS
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS

At June 30, 2020

Total Modified Cash Basis Fund Balances – Governmental Funds \$ 4,706,050

Capital assets are not financial resources and therefore are not reported in the governmental funds.

Net Capital Assets 459,599

Long-term obligations proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. While repayment of loan principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Net Position.

Long Term Liabilities:

Bonds Payable \$ 4,890,000

Premium on Bonds Payable 309,627 (5,199,627)

Net Position - Modified Cash Basis \$ (33,978)

See accompanying notes to basic financial statements.

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (MODIFIED CASH BASIS)
For the Year Ended June 30, 2020**

	GENERAL FUND	STATION 130 FUND	CAPITAL PROJECTS FUND	BONDED DEBT FUND	TOTAL GOVERNMENTAL FUNDS
RECEIPTS					
Taxes	\$ 508,500	\$ -	\$ -	\$ 378,960	\$ 887,460
Earnings on Investments	-	-	103,646	-	103,646
Miscellaneous	54,758	3,836	-	-	58,594
Total Receipts	563,258	3,836	103,646	378,960	1,049,700
DISBURSEMENTS					
Materials and Services	668,418	30,886	-	-	699,304
Capital Outlay	52,372	-	1,356,319	-	1,408,691
Debt Service	-	-	-	394,226	394,226
Total Disbursements	720,790	30,886	1,356,319	394,226	2,502,221
EXCESS OF RECEIPTS OVER DISBURSEMENTS	(157,532)	(27,050)	(1,252,673)	(15,266)	(1,452,521)
OTHER FINANCING SOURCES/USES					
Transfers In	-	27,740	-	-	27,740
Transfers Out	(27,740)	-	-	-	(27,740)
Total other Financing Sources/Uses	(27,740)	27,740	-	-	-
NET CHANGE IN FUND BALANCE	(185,272)	690	(1,252,673)	(15,266)	(1,452,521)
MODIFIED CASH BASIS FUND BALANCE - BEGINNING OF YEAR	476,559	35,255	5,249,313	397,444	6,158,571
MODIFIED CASH BASIS FUND BALANCE - END OF YEAR	\$ 291,287	\$ 35,945	\$ 3,996,640	\$ 382,178	\$ 4,706,050

See accompanying notes to the basic financial statements.

SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON

**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**
For the Year Ended June 30, 2020

Net Changes in Fund Balances - Governmental Funds \$ (1,452,521)

In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the governmental fund financial statements, depreciation is not an expenditure and is not recorded.

Capital Asset Additions	\$ 214,959	
Depreciation Expense	<u>(14,568)</u>	200,391

Governmental funds reported the effect of, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of Activities.

Amorization of Premiums, GO Bonds	23,817
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Long-term obligations proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. While repayment of loan principal is an expenditure in the governmental funds, it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Principal repaid (net)	<u>195,000</u>
------------------------	----------------

Change in Net Position of Governmental Activities \$ (1,033,313)

See accompanying notes to basic financial statements.

**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

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SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The District was organized under provisions of Oregon Statutes Chapter 478, in 1947, for the purpose of providing fire protection and other emergency services. The District is a municipal corporation governed by an elected Board. As required by accounting principles generally accepted in the United States of America, these financial statements present Southwestern Polk County Rural Fire Protection District (the primary government) and any component units. Component units, as established by GASB Statement 61, are separate organizations that are included in the District's reporting because of the significance of their operational or financial relationships with the District. There are no component units.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The Cash Basis of accounting is followed except for Capital Assets and Long Term Obligations that are recorded in the Statement of Financial Position. Under the Modified Cash Basis of accounting, receipts are recorded when received and disbursements are recorded as paid. This basis of accounting is applied to both the government-wide financial statements and the governmental fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets is capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the Modified Cash Basis of accounting is preferable due to the District's small size and the necessity of assessing available cash resources.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) is followed, as it is applicable to Modified Cash Basis financial statements. The Statement requires that the government-wide and fund financial statements be presented and reconciled between the two types of statements, if necessary.

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using the funds. In total, the results presented using both of these methods are substantially the same, except for the elimination of interfund activity and modifications noted earlier. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

General receipts are property and related taxes and interest. All disbursements are categorized as program disbursements.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form.

Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The Fire Chief and Administrative Assistant have been granted the authority to assign fund balances.

Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There are no nonspendable, restricted or committed fund balances at year end.

The Board has not established a policy on the order in which resources are to be spent. As a result of this, the default approach assumes that restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

C. BASIS OF PRESENTATION – FUND ACCOUNTING

Financial Operations are accounted for in the following major funds:

GENERAL FUND

This fund accounts for all financial receipts and disbursements, except those required to be accounted for in another fund. The principal source of receipts is property taxes.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATION 130 FUND

This fund accounts for all financial receipts and disbursements for Rickreall Station 130.

CAPITAL PROJECTS FUND

This fund accounts for the accumulation of resources for construction projects. The principal revenue source is bond proceeds.

BONDED DEBT FUND

This fund is used for the repayment of long term obligations. The principal source of revenue is property taxes.

D. BUDGET

A budget is prepared and legally adopted for each governmental fund type on the Cash Basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with the Cash Basis of accounting. This basis of accounting is allowed under Oregon Local Budget Law.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption. However, budgeted disbursements for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Disbursements budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Debt Service, Interfund Transactions, and Operating Contingency.

Disbursements cannot legally exceed the adopted appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to unforeseen circumstances which could not be determined at the time the budget was adopted.

Budget amounts shown in the budgetary financial statements reflect the original appropriations and appropriation transfers. Disbursements in the various funds were within authorized appropriations for the year ended June 30, 2020.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. PROPERTY TAXES RECEIVABLE

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Since the District reports information on the modified cash basis method of accounting, no accrual for property tax receivables has been recorded in the basic financial statements.

F. CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash truncations are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The District capitalizes assets purchased or constructed with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. The range of estimated useful lives by type of asset is as follow:

Buildings and Improvements	50 years
Vehicles	10 years
Equipment	5 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the governmental fund upon acquisition.

G. USE OF ESTIMATES

The preparation of the basic financial statements in conformity with the Modified Cash Basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

H. NET POSITION

Net position is comprised of the various net earnings from operations, non-operating receipts, disbursements and contributions of capital. Net position is classified in the following three categories.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Statements

Net Investment in Capital Assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt. Due to the District’s capital asset related debt being more than the net amount of capital assets, there is no Net Investment in Capital Assets reported at June 30, 2020.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no restricted net position at June 30, 2020.

Unrestricted – consists of all other assets that are not included in the restricted category previously mentioned.

It is the District’s policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

I. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. EMPLOYEES

The District has no employees and all transactions are administered through the City of Dallas with the assistance of Sheridan Fire District Administration.

2. CASH AND INVESTMENTS

Cash management policies are governed by state statutes. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Cash and Investments at June 30, 2020 consisted of:

Checking	\$ 49,315
Investments	<u>4,656,735</u>
Total Cash and Investments	<u>\$ 4,706,050</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2020 was \$49,315, all of which was covered by federal depository insurance.

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2020, none of the bank balances were exposed to custodial credit risk.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

As of June 30, 2020 there were the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 4,656,735	\$ 4,656,735	\$ -	\$ -
Total	<u>\$ 4,656,735</u>	<u>\$ 4,656,735</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

Credit Risk - Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At June 30, 2020, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2020, the District appeared to be in compliance with all percentage restrictions.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020 were as follows:

	Balance at 7/1/2019	Additions	(Deletions)	Balance at 6/30/2020
Non-Depreciable Assets:				
Land & Land Improvements	\$ 224,000	\$ 182,329	\$ -	\$ 406,329
Depreciable Assets:				
Buildings & Improvements	\$ 81,205	\$ -	\$ -	\$ 81,205
Vehicles	1,337,827	32,630	-	1,370,457
Equipment	100,099	-	-	100,099
Total	<u>1,519,131</u>	<u>32,630</u>	<u>-</u>	<u>1,551,761</u>
Accumulated Depreciation				
Buildings & Improvements	\$ 73,555	\$ 230	\$ -	73,785
Vehicles	1,317,636	10,654	-	1,328,290
Equipment	92,732	3,684	-	96,416
Total	<u>1,483,923</u>	<u>14,568</u>	<u>-</u>	<u>1,498,491</u>
Total Net Capital Assets	<u>\$ 259,208</u>			<u>\$ 459,599</u>

4. DEFINED BENEFIT PENSION PLAN

The District has not had any employees since December 31, 2017. Therefore, there were no contributions to PERS or any other pension plans during 2019-20, and there was no pension liability at June 30, 2020.

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. RISK MANAGEMENT

There is exposure to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

6. PROPERTY TAX LIMITATIONS

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The state voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of tax cuts.

7. INTERFUND TRANSACTIONS

The internal transfers are budgeted and recoded to show legal and operational commitments between funds, such as cost sharing.

Transfers In and Out were as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 27,740	\$ -
Station 130	-	27,740
Total	<u>\$ 27,740</u>	<u>\$ 27,740</u>

SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS

General Obligation Bonds

On June 6, 2018, The District issued \$5,255,000 of General Obligation Bonds Series 2018 with an interest rate of 4%, for purchases and upgrades of equipment, and for the replacement and new construction of a fire station. There are no significant default or acceleration clauses that would impact the financial statements or require disclosure under GASB 88. The last payment is due December 2032.

Changes in Long-Term Obligations:

The following is a summary of changes in long-term obligations events for the year ended June 30, 2020:

	Interest Rates	Balance at 7/1/2019	Additions	Reductions	Balance at 6/30/2020	Due Within One Year
Governmental Bond	4.00%	\$ 5,085,000	\$ -	\$ 195,000	\$ 4,890,000	\$ 220,000
Bond Premium		333,444	-	23,817	309,627	23,817
Total		<u>\$ 5,418,444</u>	<u>\$ -</u>	<u>\$ 218,817</u>	<u>\$ 5,199,627</u>	<u>\$ 243,817</u>

Future payments of long term obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	220,000	191,200	411,200
2022	240,000	182,000	422,000
2023	260,000	172,000	432,000
2024	285,000	161,100	446,100
2025	310,000	149,200	459,200
2026-30	1,980,000	529,400	2,509,400
2031-33	1,595,000	98,700	1,693,700
Totals	<u>\$ 4,890,000</u>	<u>\$ 1,483,600</u>	<u>\$ 6,373,600</u>

9. TAX ABATEMENTS

As of June 30, 2020, Southwestern Polk County Rural Fire District potentially could have tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these modified cash basis basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2020 for any program covered under GASB 77.

**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

SUPPLEMENTARY INFORMATION

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**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND (CASH BASIS)
For the Year Ended June 30, 2020**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
RECEIPTS				
District Taxes:				
Current Year's Levy	\$ 513,300	\$ 513,300	\$ 486,075	\$ (27,225)
Prior Years' Levies	15,000	15,000	22,425	7,425
Miscellaneous	40,000	40,000	54,758	14,758
Total Receipts	<u>568,300</u>	<u>568,300</u>	<u>563,258</u>	<u>(5,042)</u>
DISBURSEMENTS				
Personal Services	5,000	5,000 (1)	-	5,000
Materials and Services	648,100	670,700 (1)	668,418	2,282
Capital Outlay	-	52,400 (1)	52,372	28
Contingency	50,000	50,000 (1)	-	50,000
Total Disbursements	<u>703,100</u>	<u>778,100</u>	<u>720,790</u>	<u>57,310</u>
Excess of Receipts Over (Under) Disbursements	(134,800)	(209,800)	(157,532)	52,268
OTHER FINANCING SOURCES (USES)				
Transfers Out	(27,740)	(27,740) (1)	(27,740)	-
Total Other Financing Sources (Uses)	<u>(27,740)</u>	<u>(27,740)</u>	<u>(27,740)</u>	<u>-</u>
Net Change In Fund Balance	(162,540)	(237,540)	(185,272)	52,268
Fund Balance – Beginning of Year	<u>327,540</u>	<u>327,540</u>	<u>476,559</u>	<u>149,019</u>
Fund Balance – End of Year	<u>\$ 165,000</u>	<u>\$ 90,000</u>	<u>\$ 291,287</u>	<u>\$ 201,287</u>

(1) Appropriation Level

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – STATION 130 FUND (CASH BASIS)
For the Year Ended June 30, 2020**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
RECEIPTS				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 3,836	\$ (11,164)
Total Receipts	<u>15,000</u>	<u>15,000</u>	<u>3,836</u>	<u>(11,164)</u>
DISBURSEMENTS				
Materials and Services	56,740	56,740 (1)	30,886	25,854
Total Disbursements	<u>56,740</u>	<u>56,740</u>	<u>30,886</u>	<u>25,854</u>
Excess of Receipts Over (Under) Disbursements	(41,740)	(41,740)	(27,050)	14,690
OTHER FINANCING SOURCES (USES)				
Transfers In	27,740	27,740	27,740	-
Net Change In Fund Balance	(14,000)	(14,000)	690	14,690
Fund Balance – Beginning of Year	14,000	14,000	35,255	21,255
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,945</u>	<u>\$ 35,945</u>

(1) Appropriation Level

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL PROJECTS (CASH BASIS)
For the Year Ended June 30, 2020**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
RECEIPTS				
Interest	\$ 100,000	\$ 100,000	\$ 103,646	\$ 3,646
Total Receipts	<u>100,000</u>	<u>100,000</u>	<u>103,646</u>	<u>3,646</u>
DISBURSEMENTS				
Firefighting & Safety Equipment	100,000	100,000 (1)	-	100,000
Apparatus Replacement	2,351,000	2,351,000 (1)	31,644	2,319,356
Facilities	<u>3,259,000</u>	<u>3,259,000 (1)</u>	<u>1,324,675</u>	<u>1,934,325</u>
Total Disbursements	<u>5,710,000</u>	<u>5,710,000</u>	<u>1,356,319</u>	<u>4,353,681</u>
Net Change In Fund Balance	(5,610,000)	(5,610,000)	(1,252,673)	4,357,327
Fund Balance – Beginning of Year	<u>5,610,000</u>	<u>5,610,000</u>	<u>5,249,313</u>	<u>(360,687)</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,996,640</u>	<u>\$ 3,996,640</u>

(1) Appropriation Level

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BONDED DEBT (CASH BASIS)
For the Year Ended June 30, 2020**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
RECEIPTS				
Taxes Estimated to Be Received	\$ 350,000	\$ 350,000	\$ 378,960	\$ 28,960
Total Receipts	350,000	350,000	378,960	28,960
DISBURSEMENTS				
Principal	195,000	195,000 (1)	195,000	-
Interest	200,000	200,000 (1)	199,226	774
Total Disbursements	395,000	395,000	394,226	774
Net Change In Fund Balance	(45,000)	(45,000)	(15,266)	29,734
Fund Balance – Beginning of Year	600,000	600,000	397,444	(202,556)
Fund Balance – End of Year	\$ 555,000	\$ 555,000	\$ 382,178	\$ (172,822)

(1) Appropriation Level

**SOUTHWESTERN POLK COUNTY RURAL FIRE DISTRICT
POLK COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Year Ended June 30, 2020**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2019	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2020
Current:						
2019-20	\$ 908,657	\$ 24,212	\$ (860)	\$ 272	\$ 868,790	\$ 15,067
Prior Years:						
2018-19	17,424	(2)	(29)	492	10,120	7,769
2017-18	8,139	-	(23)	428	3,627	4,917
2016-17	2,977	-	(13)	445	2,536	873
2015-16	1,151	-	(13)	246	1,207	177
Prior	727	-	12	74	202	611
Total Prior	30,418	(2)	(66)	1,685	17,692	14,347
Total	<u>\$ 939,075</u>	<u>\$ 24,210</u>	<u>\$ (926)</u>	<u>\$ 1,957</u>	<u>\$ 886,482</u>	<u>\$ 29,414</u>

RECONCILIATION TO RECEIPTS:

	<u>Total</u>
Cash Collections by County Treasurers Above	\$ 886,482
Other Taxes	978
Total Receipts	<u>\$ 887,460</u>

RECONCILIATION TO FUND BALANCES:

General Fund	\$ 508,500
Bonded Debt Fund	378,960
	<u>\$ 887,460</u>

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**SOUTHWESTERN POLK COUNTY
RURAL FIRE PROTECTION DISTRICT
DALLAS, OREGON**

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**

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May 4, 2021

Independent Auditors' Report Required by Oregon State Regulations

We have audited the modified cash basis basic financial statements of the Southwestern Polk County Rural Fire Protection District (the District), as of and for the year ended June 30, 2020, and have issued our report thereon dated May 4, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the modified cash basis basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of the modified cash basis basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Programs funded from outside sources.**

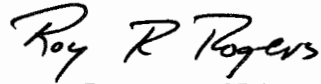
In connection with our testing nothing came to our attention that caused us to believe the Southwestern Polk County Rural Fire Protection District (the District) was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. We found no evidence that documentation for a quote was retained in accordance with ORS 279 for one expenditure in excess of \$10,000 during the year ended June 30, 2020.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the modified cash basis basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

This report is intended solely for the information and use of the Board, management and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.